

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934



Date of report (Date of earliest event reported) **February 14, 2018**

PHOTRONICS, INC.

(Exact name of registrant as specified in its charter)

Connecticut

(State or other jurisdiction of incorporation)

0-15451

(Commission File Number)

06-0854886

(IRS Employer Identification Number)

15 Secor Road, Brookfield, CT

(Address of Principal Executive Offices)

06804

(Zip Code)

Registrant's Telephone Number, including area code **(203) 775-9000**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operation and Financial Condition

On February 14, 2018, the Corporation issued a press release reporting first quarter fiscal 2018 results.

A copy of the press release is furnished as Exhibit 99.1 to this report. The information contained in this Item 2.02 and the attached Exhibits 99.1, 99.2, 99.3, 99.4, and 99.5, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be incorporated by reference in any filing under the Securities Act of 1933 except as shall be expressly set forth by specific reference in such filing.

On February 14, 2018, the Company will conduct a conference call during which certain unaudited, non-GAAP financial information related to the Company’s operations for the three months ended January 28, 2018 may be disclosed. This information is set forth in Exhibit 99.5.

EBITDA is a non-GAAP financial measure that the Company defines pursuant to its credit agreement. The Company believes that EBITDA is generally accepted as providing useful information regarding the operational strength and performance of its business, including the ability of the Company to pay interest, service debt and fund capital expenditures. The Company’s method for calculating EBITDA may not be comparable to methods used by other companies but is the same method the Company uses for calculating EBITDA under its credit facility. The Company has included in the press release certain reconciliation information for EBITDA to its most directly comparable financial measure of net income calculated and reported in accordance with GAAP.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1	Press Release dated February 14, 2018.
99.2	Condensed Consolidated Statements of Income
99.3	Condensed Consolidated Balance Sheets
99.4	Condensed Consolidated Statements of Cash Flows
99.5	Photronics Q1 2018 Financial Results Conference Call February 14, 2018 slides

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHOTRONICS, INC.

(Registrant)

DATE: February 14, 2018

BY /s/ *Richelle E. Burr*

Richelle E. Burr

Vice President, General Counsel

PHOTRONICS, INC.



For Further Information:
R. Troy Dewar, CFA
Director, Investor Relations
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tdewar@photronics.com

Press Release

Photronics Reports First Quarter Fiscal 2018 Results

BROOKFIELD, CT — (Marketwired – February 14, 2018) —

- First quarter 2018 revenue was \$123.4 million, up 2% sequentially and 12% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$5.9 million (\$0.09 per diluted share)
- Balance sheet strengthened as cash balance increased \$40.5 million to \$348.6 million
- Second quarter 2018 guidance: revenue between \$120 and \$128 million with diluted EPS between \$0.04 and \$0.09

Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported financial results for its fiscal 2018 first quarter ended January 28, 2018.

First quarter revenue was \$123.4 million, increases of 2% sequentially and 12% compared with same quarter prior year. Integrated circuit (IC) revenue was \$95.7 million, essentially flat sequentially and up 11% compared with last year. Flat panel display (FPD) revenue was \$27.8 million, up 11% sequentially and 19% compared with last year.

Net income attributable to Photronics, Inc. shareholders was \$5.9 million (\$0.09 per diluted share), compared with \$5.4 million (\$0.08 per diluted share) for the fourth quarter of 2017 and \$1.9 million (\$0.03 per diluted share) for the first quarter of 2017.

“We achieved another quarter of solid revenue growth, despite seasonal headwinds, due to continued strength in high-end IC demand, and overall improvement in FPD,” said Peter Kirlin, chief executive officer. “High-end IC improved primarily due to logic demand from Asia foundry customers, where tape-out activity remains robust. FPD demand for new LCD panels was strong as customers released new designs to improve factory utilization. Operating expenses were slightly higher sequentially as adjustments recognized in the previous quarter did not recur; operating margin was 9.6% compared with 10.3% in the previous quarter. Below the operating income line, a foreign exchange loss of \$2.7 million, net of tax and non-controlling interest, and tax benefits of \$4.2 million resulted in net income of \$5.9 million. Our balance sheet strengthened during the quarter, with cash balance growing to \$348.6 million on strong operating cash flow and the initial contribution from our partner for the PDMCX joint venture in China.”

Second Quarter 2018 Guidance

Kirlin continued, “For the second quarter of 2018, we expect revenue to be between \$120 million and \$128 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.04 and \$0.09 per diluted share.”

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, February 14, 2018. The call can be accessed by logging onto Photronics’ web site at www.photronics.com. The live dial-in number is (877) 377-7095 or (408) 774-4601 outside of the United States and Canada. The call will be archived on Photronics’ web site for instant replay access.

About Photronics

Photronics is a leading worldwide manufacturer of photomasks. Photomasks are high precision quartz plates that contain microscopic images of electronic circuits. A key element in the manufacture of semiconductors and flat panel displays, photomasks are used to transfer circuit patterns onto semiconductor wafers and flat panel display substrates during the fabrication of integrated circuits, a variety of flat panel displays and, to a lesser extent, other types of electrical and optical components. They are produced in accordance with product designs provided by customers at strategically located manufacturing facilities in Asia, Europe, and North America. Additional information on the Company can be accessed at www.photronics.com

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements made by or on behalf of Photronics, Inc. and its subsidiaries (the Company). The forward-looking statements contained in this press release and other parts of Photronics’ web site involve risks and uncertainties that may affect the Company’s operations, markets, products, services, prices, and other factors. These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental, and technological factors as well as decisions we may make in the future regarding our business, capital structure and other matters. These forward-looking statements generally can be identified by phrases such as “believes”, “expects”, “anticipates”, “plans”, “projects”, and similar expressions. Accordingly, there is no assurance that the Company’s expectations will be realized. For a fuller discussion of the factors that may affect the Company’s operations, see “Forward Looking Statements” in the Company’s Quarterly and Annual Reports to the Securities and Exchange Commission on Forms 10-Q and 10-K. The Company assumes no obligation to provide revisions to any forward-looking statements.

04-2018

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		
	January 28, 2018	October 29, 2017	January 29, 2017
Revenue	\$ 123,446	\$ 120,971	\$ 109,831
Cost of goods sold	(95,784)	(94,529)	(86,832)
Gross profit	27,662	26,442	22,999
Operating Expenses:			
Selling, general and administrative	(11,750)	(10,182)	(10,871)
Research and development	(4,104)	(3,838)	(3,485)
Total Operating Expenses	(15,854)	(14,020)	(14,356)
Operating income	11,808	12,422	8,643
Other (expense) income, net	(4,105)	536	(2,083)
Income before income taxes	7,703	12,958	6,560
Income tax benefit (provision)	1,778	(2,462)	(2,050)
Net income	9,481	10,496	4,510
Net income attributable to noncontrolling interests	(3,583)	(5,110)	(2,564)
Net income attributable to Photronics, Inc. shareholders	<u>\$ 5,898</u>	<u>\$ 5,386</u>	<u>\$ 1,946</u>
Earnings per share:			
Basic	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.03</u>
Diluted	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.03</u>
Weighted-average number of common shares outstanding:			
Basic	<u>68,755</u>	<u>68,615</u>	<u>68,176</u>
Diluted	<u>69,372</u>	<u>69,218</u>	<u>69,169</u>

PHOTRONICS, INC. AND SUBSIDIARIES**Condensed Consolidated Balance Sheets**

(in thousands)

(Unaudited)

	<u>January 28, 2018</u>	<u>October 29, 2017</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 348,560	\$ 308,021
Accounts receivable	104,638	105,320
Inventories	26,997	23,703
Other current assets	12,162	12,080
Total current assets	492,357	449,124
Property, plant and equipment, net	548,307	535,197
Intangible assets, net	16,224	17,122
Other assets	24,568	19,351
Total assets	<u>\$ 1,081,456</u>	<u>\$ 1,020,794</u>
<u>Liabilities and Equity</u>		
Current liabilities:		
Current portion of long-term borrowings	\$ 3,259	\$ 4,639
Accounts payable and accrued liabilities	84,814	77,137
Total current liabilities	88,073	81,776
Long-term borrowings	57,366	57,337
Other liabilities	17,570	16,386
Photronics, Inc. shareholders' equity	777,433	744,564
Noncontrolling interests	141,014	120,731
Total equity	<u>918,447</u>	<u>865,295</u>
Total liabilities and equity	<u>\$ 1,081,456</u>	<u>\$ 1,020,794</u>

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

(in thousands)
(Unaudited)

	Three Months Ended	
	January 28, 2018	January 29, 2017
Cash flows from operating activities:		
Net income	\$ 9,481	\$ 4,510
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,363	20,896
Changes in operating assets, liabilities and other	(982)	6,133
Net cash provided by operating activities	<u>30,862</u>	<u>31,539</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(10,995)	(9,600)
Acquisition of business	-	(5,400)
Other	(134)	(396)
Net cash used in investing activities	<u>(11,129)</u>	<u>(15,396)</u>
Cash flows from financing activities:		
Repayments of long-term borrowings	(1,381)	(1,343)
Contribution from noncontrolling interest	11,998	-
Proceeds from share-based arrangements	798	1,113
Other	(261)	(16)
Net cash provided by (used in) financing activities	<u>11,154</u>	<u>(246)</u>
Effect of exchange rate changes on cash	<u>9,652</u>	<u>(275)</u>
Net increase in cash and cash equivalents	40,539	15,622
Cash and cash equivalents, beginning of period	<u>308,021</u>	<u>314,074</u>
Cash and cash equivalents, end of period	<u>\$ 348,560</u>	<u>\$ 329,696</u>

Photronics, Inc.

**Q1 2018 Financial Results Conference Call
February 14, 2018**



Safe Harbor Statement

This presentation and some of our comments may contain projections or other forward-looking statements regarding future events, our future financial performance, and/or the future performance of the industry. These statements are predictions, and contain risks and uncertainties. Actual events or results may differ materially from those presented. These statements include words like “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “may”, “should” or the negative thereto. We cannot guarantee the accuracy of any forecasts or estimates, and we are not obligated to update any forward-looking statements if our expectations change. If you would like more information on the risks involved in forward-looking statements, please see the documents we file from time to time with the Securities and Exchange Commission, specifically our most recent Form 10K and Form 10Q.

Non-GAAP Financial Measures

This presentation and some of our comments may reference non-GAAP financial measures. These non-GAAP financial measures exclude certain income or expense items, and are consistent with another way management internally analyzes our results of operations. Non-GAAP information should be considered to be a supplement to, and not a substitute for, financial statements prepared in accordance with GAAP. Please see the “Reconciliation of GAAP to Non-GAAP Financial Information” in this presentation.

Q1 2018 Summary

- ▶ Revenue grew 2% Q/Q and 12% Y/Y; high-end growth achieved in both IC and FPD
- ▶ Sequential drop in operating margin due to less than expected gross margin leverage and higher operating expenses
- ▶ Net income attributable to Photronics, Inc. shareholders of \$5.9M (\$0.09/share)
- ▶ Cash balance grew to \$349M on operating cash flow generation and DNP contribution to PDMCX JV
- ▶ Closed China JV with DNP; working together to win merchant IC business

Investing in long-term, profitable growth to increase shareholder value

Income Statement Summary

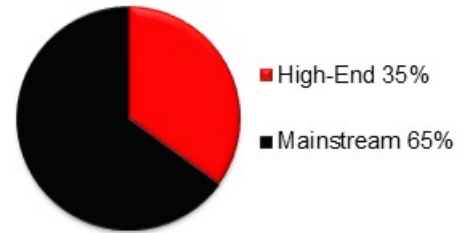
<u>\$M (except EPS)</u>	<u>Q1 2018</u>	<u>Q4 2017</u>	<u>Q/Q</u>	<u>Q1 2017</u>	<u>Y/Y</u>
Revenue	\$ 123.4	\$ 121.0	2%	\$ 109.8	12%
Gross Margin	22.4%	21.9%	50 bps	20.9%	150 bps
Operating Margin	9.6%	10.3%	(70 bps)	7.9%	170 bps
Net Income*	\$ 5.9	\$ 5.4	10%	\$ 1.9	203%
Diluted EPS*	\$ 0.09	\$ 0.08	\$ 0.01	\$ 0.03	\$ 0.06

- ▶ Revenue up on FPD improvement and high-end IC growth
- ▶ Gross margin leverage limited by unfavorable FPD product mix
- ▶ Opex increased sequentially as Q417 one-time favorable adjustments did not repeat
- ▶ Q118 tax expense includes \$4.2M (\$0.06/share) benefits, primarily for recognition of accumulated AMT credits resulting from the tax reform act
- ▶ Net income includes foreign exchange loss, net of tax and non-controlling interest, of \$2.7M (\$0.04/share) in Q118 and \$1.4M (\$0.02/share) in Q117

IC Photomask Revenue

<u>\$M</u>	<u>Q1 2018</u>	<u>Q4 2017</u>	<u>Q/Q</u>	<u>Q1 2017</u>	<u>Y/Y</u>
High-End*	\$ 33.4	\$ 30.5	10%	\$ 22.2	51%
Mainstream	\$ 62.3	\$ 65.6	(5%)	\$ 64.2	(3%)
Total	\$ 95.7	\$ 96.1	(0%)	\$ 86.4	11%

Q118 Revenue by Technology

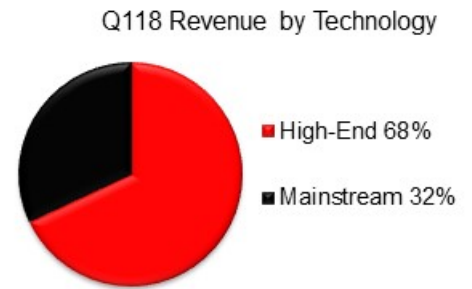


*NOTE: new high-end definition; now 28nm and smaller; total may differ due to rounding

- ▶ Strong high-end growth partially offset by seasonally-soft mainstream
 - High-end growth driven by logic demand, primarily in Asia
 - Record revenue from PDMC (Taiwan JV)
 - Memory down sequentially
- ▶ Revenue expectations mixed in Q2
 - High-end memory up; logic mixed with high-end pause
 - Increase in China revenue expected with PDMCX JV now established
 - Expect to maintain or increase market share

FPD Photomask Revenue

<u>\$M</u>	<u>Q1 2018</u>	<u>Q4 2017</u>	<u>Q/Q</u>	<u>Q1 2017</u>	<u>Y/Y</u>
High-End*	\$ 18.8	\$ 17.1	10%	\$ 17.2	9%
Mainstream	\$ 9.0	\$ 7.8	15%	\$ 6.2	45%
Total	\$ 27.8	\$ 24.9	11%	\$ 23.4	19%



*≥G8 and AMOLED; total may differ due to rounding

- ▶ Customers ramping new designs to improve fab utilization; expect trend to continue in Q2
- ▶ Plan to begin installing P-800 in Korea end of Q2 to drive technology leadership in rapidly growing AMOLED market

Select Financial Data

<u>\$M</u>	<u>Q1 2018</u>	<u>Q4 2017</u>	<u>Q1 2017</u>
Cash	\$ 349	\$ 308	\$ 330
Debt	\$ 61	\$ 62	\$ 66
Net Cash*	\$ 288	\$ 246	\$ 264
Operating Cash Flow	\$ 31	\$ 23	\$ 32
Capital Expenditures	\$ 11	\$ 53	\$ 10
LTM EBITDA	\$ 122	\$ 119	\$ 129

- ▶ Cash balance grew on strong operating cash generation and \$12M initial contribution from JV partner in China
- ▶ 2018 capex expected to be ~\$250M, primarily for China IC & FPD investments
- ▶ Balance sheet is able to fund planned investments and strategic M&A opportunities

Q2 2018 Guidance

Revenue (\$M)	\$120 - \$128
Taxes (\$M)	\$3 - \$4
EPS	\$0.04 - \$0.09
Diluted Shares (M)	~69

- ▶ High-end demand expectations mixed in Q218
 - More AMOLED display capacity coming online; mask demand improves as customers release new designs to maintain utilization rates
 - High-end memory up; logic likely down
- ▶ Expect margin headwinds in H218 as China operations begin to ramp ahead of production in early 2019



Thank you for your interest!

For Additional Information:

R. Troy Dewar, CFA
Director, Investor Relations
203.740.5610
tdewar@photonics.com



Appendix

Investing in China Operations

	IC	FPD
Announced	August 2016	August 2017
Location	Xiamen	Hefei
Investment (\$M)	\$160M	\$160M
Structure	Majority-owned JV	Wholly-owned
Investment time period	5 years	5 years
Technology	High-end, mainstream, logic, memory	Up to G10.5+, AMOLED
Production start	Early 2019	Spring 2019
Projected sales	\$150M (total for both operations)	

PLAB well positioned for these investments

Global merchant market and technology leader

Strong footprint in Asia

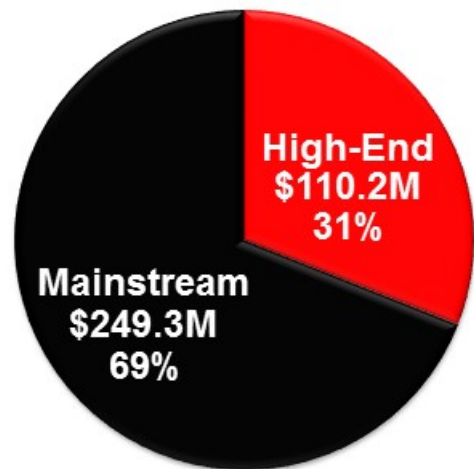
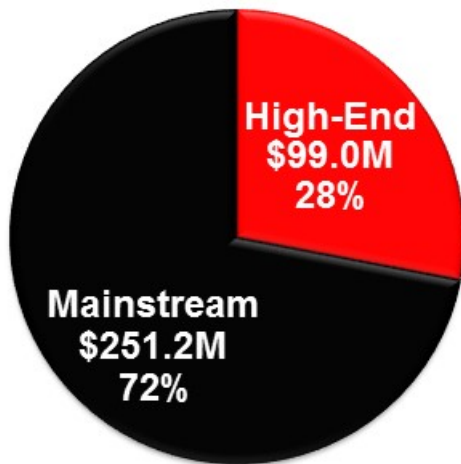
Balance sheet to support investment



IC Photomask Revenue

2017: \$350.3M

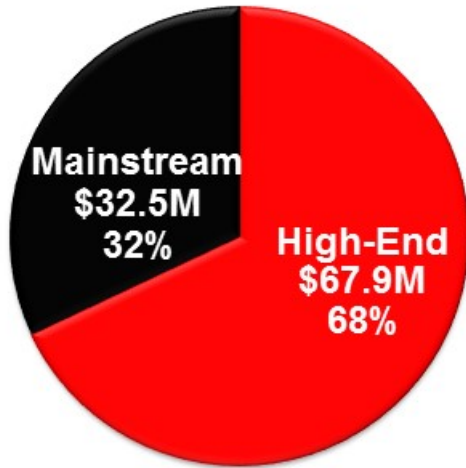
Q118 LTM: \$359.5M



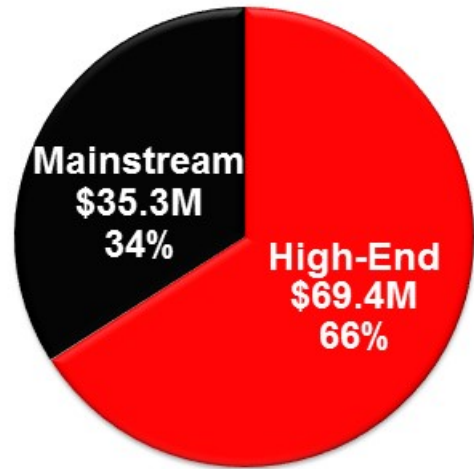
High-End: 28nm and smaller; total may differ due to rounding

FPD Photomask Revenue

2017: \$100.4M



Q118 LTM: \$104.7M



High-End: ≥G8 and AMOLED; total may differ due to rounding



PHOTRONICS, INC. AND SUBSIDIARIES
Non-GAAP Financial Measures
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands, except per share data)
(Unaudited)

	Three Months Ended		
	January 28, 2018	October 29, 2017	January 29, 2017
Reconciliation of GAAP Net Income to Non-GAAP EBITDA			
GAAP Net Income (a)	\$ 9,481	\$ 10,496	\$ 4,510
Interest expense	574	578	559
Income tax expense	(1,778)	2,462	2,050
Depreciation and amortization	22,363	22,492	20,896
Other items (b)	884	785	937
Non-GAAP EBITDA	\$ 31,524	\$ 36,813	\$ 28,952

Notes:

- (a) Includes net income attributable to noncontrolling interests
- (b) Consists of stock compensation expense